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# THE *Demand and Price* SITUATION

BUREAU OF AGRICULTURAL ECONOMICS  
UNITED STATES DEPARTMENT OF AGRICULTURE

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## SUMMARY

Economic activity in the Nation continues to decline. Since the beginning of the year, average wholesale prices of farm products, foods and industrial commodities have each declined about 5 percent. In the first six months of 1949, cash receipts from farm marketings totaled 6 percent less than in the first half of 1948, with farmers' net income probably down somewhat more. If weather conditions are favorable, prices of farm products are likely to average somewhat lower over the next few months, as the generally large 1949 crops now in prospect are harvested.

Most economic indicators continued to point downward in May and June. Since February, the level of industrial output has declined at the rate of about 3 percent a month. Nonfarm employment dropped one-half million between March and May and in the latter month was more than a million lower than a year earlier. Consumers' incomes, which have been supported by unemployment insurance benefits, have declined less than half as much as industrial production.

However, activity in some important sectors of the economy continues strong. Total expenditures for new construction in the first 5 months of 1949 were 3 percent higher than a year earlier partly due to sharply increased public construction. United States exports of goods and services in the first quarter of the year were also maintained near last year's level.



## ECONOMIC TRENDS AFFECTING AGRICULTURE

Item	Unit or base period	1948		1949			
		Year	May	Feb.	Mar.	Apr.	May
Industrial production <u>1/</u>	1935-39						
Total.....	=100	192	192	189	184	179	174
All manufactures.....	do.	198	197	196	193	185	179
Durable goods.....	do.	225	221	226	223	213	201
Nondurable goods.....	do.	177	178	173	168	162	161
Minerals.....	do.	155	162	148	136	148	146
Construction activity <u>1/</u>	1935-39						
Contracts, total.....	=100	331	328	294	305	307	303
Contracts, residential.....	do.	397	404	301	316	343	365
Wholesale prices <u>2/</u>							
All commodities.....	1926=100	165	164	158	158	157	156
All commodities except farm and food.....	do.	151	149	152	151	149	147
Farm products.....	do.	188	189	168	172	170	171
Food.....	do.	179	177	162	163	163	164
Prices received and paid by farmers <u>3/</u>	1910-14						
Prices received, all products.....	=100	287	289	258	261	260	256
Prices paid, interest and taxes.....	do.	249	250	245	246	246	245
Parity ratio.....	do.	115	116	105	106	106	104
Consumers' price <u>5/ 6/</u>	1935-39						
Total.....	=100	171	170	169	170	170	169
Food.....	do.	210	211	200	202	203	202
Nonfood.....	do.	149	148	152	151	151	150
Income							
Nonagricultural payments <u>4/</u> .....	Bil. dol.	190.4	186.6	194.1	193.1	193.3	
Income of industrial workers <u>3/</u> .....	1935-39						
	=100	364	350	354	346	339	
Factory payrolls <u>5/</u> .....	do.	389	369	381	372	358	
Weekly earnings of factory workers <u>5/</u>							
All manufacturing.....	Dollars	53.14	51.76	54.12	53.63	52.70	52.08
Durable goods.....	do.	56.76	54.81	58.17	57.37	56.86	56.93
Nondurable goods.....	do.	49.33	48.65	49.88	49.72	48.35	48.98
Employment							
Total civilian <u>7/</u> .....	Millions	59.4	58.7	57.2	57.6	57.8	58.7
Nonagricultural <u>7/</u> .....	do.	51.4	50.8	50.2	50.3	50.0	49.7
Agricultural <u>7/</u> .....	do.	8.0	7.9	7.0	7.4	7.8	9.0
Government finance (Fed.)							
Income, cash operating.....	Mil. dol.	3,748	2,969	3,893	5,555	1,425	
Outgo, cash operating.....	do.	3,075	2,507	3,258	3,854	3,125	
Net cash operating income or outgo.	do.	+ 672	+ 462	+ 849	+1,700	-1,699	

Annual data for the years 1929-48 appear on page 29 of the March 1949 issue of The Demand and Price Situation.

Sources: 1/ Federal Reserve Board, converted to 1935-39 base. 2/ U. S. Dept. of Labor, BLS. 3/ U. S. Dept. of Agriculture, BAE, to convert prices received and prices paid interest and taxes, to the 1935-39 base, multiply by .93110 and .78125 respectively. 4/ U. S. Dept. of Commerce revised figures employing new concepts, seasonally adjusted at annual rate. 5/ U. S. Dept. of Labor, BLS. 6/ Consumers' price index for moderate-income families in large cities. 7/ U. S. Dept. of Commerce, Bureau of the Census. 8/ U. S. Dept. of Treasury. Data for 1948 are on average monthly basis.



Commodity highlights

Prices of hogs are expected to hold near present levels this summer, but to decline as the peacetime record crop of spring pigs is marketed in volume. Prices of the better grades of cattle may advance only slightly this summer. Lamb prices are expected to be relatively higher than other livestock prices through most of this year. Prospects indicate ample supplies of poultry products for the rest of this year. Prices received by farmers for milk and milk products are likely to increase during the rest of this year but probably by less than the usual seasonal amount. Despite large exports of fats and oils, factory and warehouse stocks are substantially greater than a year ago, reflecting a record output of fats and oils from domestic materials since last summer.

With average weather during the remainder of the season, the feed grain supply for 1949-50, including the big carry-over, probably would be about as large as the record supply of last year. Based on June 1 conditions, United States wheat supplies for 1949-50 may be the largest on record. Grower prices for the prospective larger crops of apples and pears this year are expected to decline this summer to levels lower than a year earlier. The average price received by farmers for fresh vegetables and melons in July, August and September is expected to average slightly lower than in the same months of 1948. Exports of cotton in April were the largest for any month since 1940 but domestic mill consumption was at the lowest levels since before the war. A firm demand for 1949 flue-cured tobacco is expected when marketings begin in the Georgia-Florida area in late July.

## OUTPUT AND EMPLOYMENT

Industrial output continued to recede in May and early June. The Federal Reserve Board's index of industrial production, seasonally adjusted, in May was 174 (1935-39=100) down 3 percent from April, 9 percent from May 1948 and 11 percent from the postwar high of last fall. While reductions from April to May occurred in many components of the index, durable goods output was reduced substantially more than nondurable goods and mineral production.

The index of durable goods production in May was 201, down 6 percent from April, 9 percent from May 1948 and 13 percent from the postwar high in October and December 1948. The decline in this group has been especially sharp in recent months. Steel production, after reaching 102.7 percent of scheduled capacity in March, declined to 94.1 percent in May and to 86.7 percent in mid-June. Output of machinery and nonferrous metals has also been reduced sharply. The work stoppage in the Ford automotive plants during part of May was reflected in lower automobile production in that month.

Nondurable goods output also declined in May but not so sharply as in the preceding month. The index fell 1 percent from April to 160 in May, 10 percent below May 1948 and 11 percent below the postwar high. The principal declines in May occurred in textiles with the chemical and paper industries down slightly.



The index of mineral production declined about 1 percent from April to 146 in May, when it was 10 percent below the postwar high of May 1948. A sharp decline occurred in June as a result of the June 13-17 work stoppage in the bituminous coal industry.

New housing starts in May made a substantial seasonal increase to 95,000 units, 9,000 more than in April and only 5,000 less than in May 1948, the peak month last year. For the first 5 months of this year 343,400 new dwelling units were started, 10 percent under the same period in 1948.

The somewhat lower level of residential, industrial and commercial construction so far this year compared with last year has been more than offset by sharply increased public construction, such as hospitals, schools, and highways. Total expenditures for new construction in the first 5 months of 1949 were 3 percent higher than in the same period in 1948.

Nonfarm employment in May, as reported by the U. S. Department of Commerce, totaled 49.7 million persons compared with 50.0 millions in April and 50.8 in May 1948 with most of the decline in manufacturing. In addition, the average hours worked per person in nonagricultural industries in the week of May 8-14 was 41.7 compared with 42.1 hours a year earlier.

Data from the Bureau of Labor Statistics on the average length of work week indicate that the sharpest drop has occurred in manufacturing. In April, the average hours worked per employee in these industries were 38.3 compared with 40.0 a year ago. The work week was relatively well maintained in retail trade and in building construction.

Unemployment rose about 1/4 million persons from April to May to a new postwar high of 3.3 millions. A year ago unemployment totaled 1.8 millions. The civilian labor force, increased sharply during May, reflecting the entrance of seasonal workers, to 62.0 million persons, almost 1.6 millions above May 1948. Because of seasonal increases in employment in agriculture and construction, total employment increased from 57.8 million persons in April to 58.7 millions in May, about the same level as in May 1948.

#### INCOME AND RELATED FACTORS

Declining industrial production and employment have been reflected in a reduced flow of income to consumers. In April, total personal income dropped for the fourth straight month to a seasonally adjusted annual rate of 213.7 billion dollars, .9 billion less than in March and 7.3 billions less than the peak rate of last December. Nevertheless, the April level was 5.1 billions higher than in April 1948. Most of the decline in April occurred in the incomes of proprietors of unincorporated businesses. Salary and wage receipts increased slightly from March to April, primarily because of resumption of coal mining. The annual rate of these receipts in April was 133.2 billion dollars compared with 132.7 billions in March and 126.8 billions in April a year ago. The peak rate of 138.0 billions was attained in November 1948.



Total retail sales in May as reported by the Department of Commerce, were maintained at about the same level as in April and in May last year. The index, seasonally adjusted, was 332 (1935-39=100) in May compared with 333 in April and 330 in May 1948. However, with the exception of the automotive group, sales of most types of retail stores were lower than in May 1948. Sales of apparel and food stores were 2 percent below a year ago. Building materials and homefurnishings outlets had 9 percent smaller sales. Sales of the automotive group were 44 percent higher than in May 1948.

Dollar sales at department stores, reported to the Federal Reserve Board in the first half of June were running about 7 percent less than a year ago. From January 1 to June 11, sales were 4 percent less than in the same period in 1948. Inventories at department stores have been reduced in line with a lower level of sales. At the end of April, department store inventories were valued at 8 percent less than a year earlier. However, manufactures' inventories were 8 percent higher than at the end of April 1948.

### COMMODITY PRICES

The wholesale all-commodity price level, as measured by the Bureau of Labor Statistics, averaged lower in May than in April and continued to decline in the first half of June. The BLS monthly index declined from 156.9 (1926=100) in April to 155.7 in May. A year ago the index was 163.9. Slight increases from April to May in wholesale prices of farm products and foods did not quite offset the continued decline in prices of other commodities. In late June, prices of industrial commodities continued to weaken, particularly building materials, metals and metal products and textile products. Wholesale prices of farm products and foods also declined after advancing during May.

Table 1.- Group indexes of wholesale prices, week ended June 21, 1948  
with comparisons  
( 1926 = 100 )

Group	Week ended June 21, 1949	Week ended May 24, 1949	Week ended June 22, 1948	Week ended June 21, 1949 percentage change from Week ended : Week ended May 24, 1949: June 22, 1948	
All commodities	153.2	156.5	167.0	- 2.1	- 8.3
Farm products	167.0	174.5	200.3	- 4.3	- 16.6
Foods	159.9	165.6	181.8	- 3.4	- 12.0
All other than farm and food	145.0	146.2	149.4	- .8	- 2.9
Textile products	135.1	136.1	149.3	- .7	- 9.5
Fuel and lighting materials	131.0	130.6	133.1	+ .3	- 1.6
Metals and products	165.6	167.5	157.9	- 1.1	+ 4.9
Building materials	190.9	193.4	197.0	- 1.3	- 3.1
All other	127.4	129.3	136.1	- 1.5	- 6.4

Bureau of Labor Statistics.



In late June, all components of the weekly index, except metals and metal products, were lower than a year ago. The sharpest declines have occurred in farm products, foods and textiles. Supplies of metals have been relatively tight until recently. However, demand has slackened appreciably and substantial reductions in output and prices of nonferrous metals have occurred in the last few months. The demand for steel has slackened also, as indicated by the recent sharp reduction in steel output. Thus far, steel prices have not been reduced significantly.

From the peak of last summer the all-commodity wholesale price level has declined 10 percent with the major reductions occurring in prices of farm products and food. Since the beginning of 1949, however, prices of industrial commodities have declined about the same amount as farm product and food prices. In late June, industrial commodity prices averaged 5 percent below the first week in January. Wholesale prices of farm products were off 6 percent and foods 5 percent with the general commodity price level off 5 percent.

Average prices received by farmers in mid-June were 2 percent lower than in the previous month. The BAE index of prices received by farmers declined from 256 on May 15 (1909-14=100) to 252 on June 15, about 15 percent below June a year earlier. Average prices of all crops combined declined 4 percent from May to June, reflecting the very favorable outlook for crop production this year and the seasonal downturn in prices of truck crops. Prices of food grains averaged 7 percent lower than in May. Prices of oil bearing crops were down 5 percent. Truck crop prices declined 18 percent. Prices of meat animals rose slightly and offset declines in the group indexes for dairy products and poultry and eggs. The total livestock and livestock products group averaged the same as in May.

Table 2. - Group indexes of prices received by farmers June 15, 1949, with comparisons  
(August 1909-July 1914=100)

Group	June 15, 1949	May 15, 1949	June 15, 1948	June 15, 1949	
				percentage change from	
				May 15, 1949	June 15, 1948
Food grains	212	227	249	- 7	- 15
Feed grains and hay	168	174	278	- 3	- 40
Cotton	243	242	284	1/	- 14
Tobacco	412	411	370	1/	+ 11
Oil-bearing crops	219	231	364	- 5	- 40
Fruit	211	215	155	- 2	+ 36
Truck crops	175	213	213	- 18	- 18
All crops	225	234	261	- 4	- 14
Meat animals	331	328	390	+ 1	- 15
Dairy products	230	234	291	- 2	- 21
Poultry and eggs	213	217	221	- 2	- 4
Livestock and products	277	277	326	0	- 15
Crops and livestock and products	252	256	295	- 2	- 15

1/ Less than one-half percent increase.



Compared with a year ago, prices were sharply lower this June for feed grains, oil bearing crops and dairy products. Only prices for Maryland tobacco and fruits averaged higher. The demand for cigarette tobacco is exceptionally strong and fruit supplies are generally considerably smaller than a year ago.

If weather conditions continue favorable, prices of farm products are likely to decline somewhat during the next few months as the large 1949 crops now in prospect are harvested.

Average prices paid by farmers were unchanged in mid-June from a month previous. The BAE index of prices paid by farmers for commodities, interest and taxes remained at 245 (1910-14=100) on June 15. A year ago the index was 251. Lower prices in June than a month previous for feed, building materials and farm equipment and supplies offset increased prices for food. The decline in prices received by farmers from May to June coupled with no change in the overall level of prices paid, interest and taxes resulted in a decline in the parity ratio from 104 in May to 103 in June. The ratio was 118 a year ago.

The BLS index of urban consumer prices in May was slightly lower than in April as lower prices for clothing, fuel and housefurnishings offset a fractional rise in foods and rents. The index was 169.2 in May compared with 169.7 in April and 170.5 in May 1948.

#### UNITED STATES EXPORTS

Exports of all goods and services from the United States continued at a high level in the first quarter of 1949, only slightly below the last quarter of 1948 and the average for that year. The annual rate of the first quarter's exports was 16.5 billion dollars compared with 16.8 billions in the preceding quarter and 17.7 in the first quarter of 1948. In contrast, agricultural exports in the first quarter of this year were at the annual rate of 4.1 billion dollars compared with 3.8 in the fourth quarter and 3.5 in the first quarter of 1948.

Accompanying the slight drop in exports in early 1949 was a more substantial decline in United States imports which fell from an annual rate of 10.7 billion dollars in the last quarter of 1948 to 10.2 billions in the first quarter of 1949. A year ago, imports were at the annual rate of 10.0 billion dollars. For the most part, the decline in United States imports is a reflection of declining domestic prices and activity, and greater availability of manufactured commodities in this country. Although a lower level of imports into this country affects the level of exports by reducing the dollar earnings of foreign countries, this may be offset by increased utilization of U. S. Government grants and loans during the remainder of 1949. In the first quarter of 1949, these grants and loans provided payment for 6.3 billions of exports (annual rate)

compared with 6.0 billions in the preceding quarter and 5.1 billions in the first quarter of 1948. ECA appropriations of about 4.6 billion dollars which may be used for the period ending May 15, 1950 are being considered by Congress. In addition, almost one billion dollars have been requested for other foreign aid (largely for occupied areas) for the fiscal year ending June 30, 1950. If approved, these funds would provide over the rest of this year for a level of exports not much different than in the first quarter, even though imports may be somewhat lower.

The use of foreign owned gold and dollar assets was not an important means of financing U. S. exports in the first quarter of 1949, in contrast to the situation in 1947 and early 1948.

Table 3.- Financing of United States exports of goods and services in specified periods

(Billions of dollars)

Period	U. S. exports of goods and services	Means of financing			
		U. S. imports of goods and services	Sale of gold: U.S. and short-term dollar assets: by foreign countries (Net)		
			U.S. long-term grants and loans to foreign countries (Net)	Other sources and balancing item (Net)	
	(1)	(2)	(3)	(4)	(5)
1935-39 ann. average	4.0	3.4	1.1	2/(-)0.1	(-)0.4
1946	15.0	7.2	2.0	5.0	0.8
1947	19.7	8.5	4.5	5.7	1.1
1948					
1st qtr. (ann. rate)	17.7	10.1	1.4	5.1	1.0
2nd qtr. (ann. rate)	16.9	10.1	2.2	3.4	1.2
3rd qtr. (ann. rate)	15.8	11.0	0.6	4.1	0.1
4th qtr. (ann. rate)	16.8	10.7	(-)0.8	6.0	0.8
	16.8	10.5	0.9	3/4.7	0.8
1949					
1st qtr. (ann. rate)	16.5	10.2	(-)0.1	6.3	0.1

1/ Includes loans of U. S. dollars by the International Bank and by the International Monetary Fund. In 1947 these loans totaled 761 million dollars. In 1948 they totaled 372 million dollars.

2/ Includes private loans and remittances to foreigners.

3/ Includes 1.4 billion dollars in ERP grants, and 1.3 billions for the army civilian supply program. The remainder of 2.0 billions is accounted for by other U. S. grants and loans to foreign countries.



## FARM INCOME

Farmers' cash receipts in the first half of 1949--and probably their gross income also--were about 6 percent below the same period last year. Farmers' production expenses, however, showed a smaller decline, so operators' realized net income for the first half of this year was probably 10 percent or more below the same period in 1948.

Farmers' receipts from marketings during the first 6 months were about 12.0 billion dollars as compared with 12.7 billion dollars in the first half of 1948. A decline of 10 percent in average prices farmers received for farm products in the first half of this year more than offset a slight increase in volume of marketings. Cash receipts from livestock and products were down to 7.4 billion dollars as compared with 8.3 billion dollars for the first half of last year. Crop receipts of 4.6 billion dollars, however, were up from the 4.4 billion dollars received in the first half of 1948.

Receipts from meat animals and dairy products in the first 6 months were below the same period last year. Both marketings and prices of meat animals were down, and cash receipts from meat animals were nearly 15 percent below a year ago. Lower prices of dairy products more than offset slightly larger marketings, and receipts from dairy products were nearly 15 percent smaller than in the first half of last year. But cash receipts from poultry and eggs were above the first 6 months of last year.

Cash receipts from corn and cotton were substantially greater than last year; and these increases were responsible for most of the gain in total crop receipts. In both cases, unusually larger quantities marketed or placed under loan more than offset lower prices. Less wheat was sold than last year, however, and wheat prices were also lower.

The prices farmers paid for commodities used in production during the first half of 1949 averaged only 3 percent below the first 6 months of 1948. Some of the principal expense items were greater than last year, but the cost of purchased feed and hired labor was probably lower.

In June, farmers received around 2.1 billion dollars from farm marketings, 5 percent above May but nearly 15 percent below a year ago. Cash receipts from livestock and products were about 1.3 billion dollars, about the same as in May and one-fifth less than last June. Cash receipts from meat animals were slightly below May and about 30 percent less than last year when marketings expanded following the settlement of a labor dispute in the packing industry. Milk production was up seasonally and cash receipts from dairy products were above May; but prices were down from a year ago and dairy-product receipts were about 15 percent lower than last June. Receipts from poultry and eggs were lower than in May, reflecting seasonal declines in marketings. But they showed a slight increase over last June because of larger sales of poultry and higher prices for eggs.

June crop receipts of 0.8 billion dollars were 15 percent greater than in May and a little above last June. In both cases, the gain in crop receipts was due to larger marketings as prices of crops in June averaged a little below the May level and about 14 percent below June 1948. The



increase over May was seasonal with larger sales of early vegetables, deciduous fruits, feed crops and wheat. Crop receipts were above a year ago largely because of larger deliveries of wheat and other crops to the Commodity Credit Corporation.

#### LIVESTOCK AND MEAT

The pig crop this spring was 15 percent larger than the crop last spring and the largest spring crop for any peacetime year. The estimate of 59.0 million pigs saved is exceeded only by the spring crops of 1942 and 1943, when the Government encouraged hog production to fulfill war-time requirements for meat.

According to reports of farmers' intentions as of June 1, about 5.8 million sows will farrow fall pigs. This number would be 13 percent larger than the number farrowing last fall. If litters should equal the 1938-47 average of 6.37 pigs, approximately 37.0 million pigs would be saved. The 10-year average may understate the prospective size of litter, since the 1944-48 average fall litter was 6.43 pigs, with 1948 a record 6.58 pigs.

A fall crop of 37.0 million pigs would be 9 percent larger than the 1948 fall crop and the third largest on record.

The spring pig crop this year is no larger relative to United States population than it was in the decade ending with the 1934 drought, but is somewhat larger in terms of population than in most years since 1934. More pork is produced per pig saved now than in earlier years, chiefly because average slaughter weights are heavier. The total pig crop now indicated for 1949 probably will provide 83-86 million hogs for slaughter in 1949-50. At the heavy slaughter weights of recent years, it would supply enough pork that consumption could be as high as the 75.6 pounds consumed per person in 1946. Even at prewar average weights, consumption would still be as much as 70 pounds per capita. The 1946 consumption was the third highest in the last 40 years, and pork consumption has been as large as 70 pounds per person only 9 times in that period.

Prices of hogs probably will hold near present levels this summer, but are expected to decline as soon as spring pigs are marketed in volume. Prices fell to within about \$1.25 of supports for one week in April, and this fall may possibly reach the support level which will be \$18.50 per 100 pounds in September and will decline seasonally to perhaps \$15.00 or less in December. Trends in demand will affect significantly the possibility of support operations.

Slaughter of Choice and Prime grades of steers has been increasing seasonally. Prices of all the better grades may make only a slight advance this summer--less than the usual seasonal rise for these grades. Prices of grass-fat cattle may experience about the average seasonal decline. Reports from ranges indicate that cattle and calves are generally in good condition.

Prices of slaughter lambs may be reduced as supplies increase, but the decline will start from a high price relative to prices of other classes of meat animals. Lamb prices are expected to be relatively higher than other livestock prices through most of this year.



## DAIRY PRODUCTS

Total milk output has passed the seasonal peak for 1949 and will decline until late fall. Prices received by farmers for milk and milk products are likely to increase during the rest of this year, but the rise may be less than the usual seasonal amount. There also will be seasonal increases in the proportion of milk used in milk and cream. The combined butter-powder price supports will increase on September 1 by the equivalent of about 15 cents per 100 pounds. The tendencies toward price increases may be offset in part at least if the flow of income to consumers continues downward. However, even a moderate upward price movement would be in sharp contrast to the contraseasonal decline during the second half of 1948. The over-all index of prices received by farmers for milk products in June was about one-fifth below the record of June and July 1948.

The retail price of milk in 24 major cities in early June averaged 19.9 cents per quart, 3 percent below the level of a year earlier. Prices of manufactured dairy products have declined substantially more and apparent consumption has increased considerably. Apparent use of milk as whole milk and cream during the first 4 months was about as great as a year earlier.

Factors accounting in part for the lower prices of manufactured dairy products as compared with a year earlier include: the larger over-all supply of milk, a larger accumulation of stocks than at the beginning of the into-storage season a year earlier and a lower level of vegetable fats prices. In mid-June, the wholesale price for margarine at Chicago was 25 cents per pound compared with 41 cents in June 1948. A significant recovery in the price of margarine in the rest of 1949 is unlikely, since supplies of vegetable oils probably will remain large and lard output is expected to increase. Prices of manufactured dairy products, on the other hand, will be maintained by Government purchases of both the fat and nonfat ingredients of milk. Prices of butter and nonfat dry milk solids have been stable at announced supports for several weeks. Total purchases through mid-June were 5.8 million pounds of butter and 200 million pounds of powder.

## POULTRY AND EGGS

Egg prices continued their seasonal rise through mid-June. At the same time poultry meat prices continued the decline that began in April. Farm egg prices in June, at 44.1 cents per dozen, were .7 cents higher than in May and the same amount higher than in June 1948. Chicken prices averaged 26.1 cents per pound, 2.1 cents lower than in May and 4.4 cents lower than 12 months earlier. In May they were nearly the same as in May 1948, and in January through March they had exceeded the same months of 1948 by 3 to 4 cents. U. S. farm prices for turkeys in June, representing mostly sales of breeder hens which had finished their laying season, were 4.2 cents under the record for that month, set in 1948.

Ample supplies of poultry products for the rest of 1949 are in prospect. Food supplies and prospective crops encourage liberal feeding of the present mature flocks and of the increased baby chick and poult hatches of this spring. To June 1, hatchings of chicks were 26 percent larger than a year ago, and the turkey hatch has increased even more.

Egg futures prices for October delivery rose from 50.10 cents in mid-May (average of daily closes, week ending May 13) to 51.20 cents in mid-June (week ending June 17). In the following week, the quotation fell



by about half a cent. With the into-storage season now practically at an end, the amount of fall egg production will now be the principal supply factor affecting the contract price.

In recent months farm egg prices have exceeded 90 percent of parity. As a result, dried egg purchases by CCC (before cancellations) in mid-June were about 2 million pounds weekly, against 4 to 5 million weekly in late March.

The large turkey hatch will permit a record or near-record per capita turkey consumption in 1949. Holiday-season prices will be lower than the record highs of 1948.

#### FATS, OILS, AND OILSEEDS

Exports of fats, oils, and oil equivalent of oilseeds in January-April 1949 including shipments to United States Territories totaled 845 million pounds. This was more than double the total for the same period last year. Exports in April 1949 alone totaled 329 million pounds in terms of oil. Exports of soybean oil and soybeans in terms of oil in January-April were 202 million pounds compared with only 60 million the year before. Exports of soybeans in October 1948-April 1949 totaled 15.4 million bushels, more than total exports in any previous crop year. Exports of inedible tallow and greases increased from 11 million pounds in January-April 1948 to 141 million pounds in 1949. Exports of lard for the first four months of 1949 were 241 million pounds compared with 130 million a year earlier.

Imports of fats, oils, and oil equivalent of oilseeds in January-April 1949 were 313 million pounds, 162 million pounds less than the year before. Most of the decrease was in copra imports. In January-April 1949, the United States had net exports of fats, oils, and oil equivalent of oilseeds totaling 532 million pounds contrasted with net imports of 108 million pounds for the same period in 1948.

The large volume of exports in April was accompanied by a decline of 138 million pounds during the month in factory and warehouse stocks of fats and oils. However, these stocks on April 30 totaled 1,835 million pounds, 381 million pounds more than a year earlier. This increase reflects a record output of fats and oils from domestic materials since last summer. The chief production increases over a year earlier have been in cottonseed oil, soybean oil, butter and lard. Total output from domestic materials in October 1948-April 1949 was about 6,950 million pounds compared with about 6,300 million pounds a year earlier.

The index number of wholesale prices of 26 major fats and oils (excluding butter) was about 160 (1935-39=100) in June compared with 170 in May and an average of 264 in 1948. Prices of edible vegetable oils (cottonseed, corn, peanut, and soybean) during June averaged 1-1.5 cents lower than in May. Prices of coconut oil and lard declined moderately while prices of greases and inedible tallow were almost unchanged.

Production and domestic disappearance of margarine since last September have been moderately smaller than a year earlier. Disappearance in October 1948-April 1949 was 521 million pounds compared with 548 million the year before. Production and domestic disappearance of colored margarine have been increasing rapidly and in January-April 1949 amounted to about 15 percent of the total for all margarine.



## CORN AND OTHER FEED

Prices of most feeds declined from May to early June, then advanced in the last part of the month. Greatest weakness was in prices of wheat millfeed, brewers' dried grains, and fish meal. Prices of most feeds, excepting the animal and marine proteins, were 20 to 40 percent lower in June than a year earlier. Prices of tankage, meat scraps, and fish meal are high in relation to prices of most other feeds, and also are higher than a year ago.

Weather so far this year has been very favorable for early growth of feed grain and forage crops. Weather during the remainder of the season, will be an important factor influencing feed grain prices. Other factors which will have a bearing on feed prices in 1949-50 are (1) slightly lower loan rates than in 1948, (2) prospects for some further weakening in demand for farm products, from the high postwar level of the past 2 or 3 years and (3) larger feed requirements of livestock and poultry. A sharp drop in feed grain prices similar to that of last summer and fall is not expected this year, since prices have adjusted to the loan level and a large part of the 1948 carry-over probably will be under loan.

The 1949 oats crop was estimated in early June at 1,475 million bushels, one-fifth above average, and weather has been favorable so far this season for planting and early growth of the corn crop. With average weather during the remainder of the season, the feed grain supply for 1949-50, including the big carry-over, probably would be as large as the record supply of last year. Pasture and hay conditions were better than average in nearly all regions of the country. The supply of hay for 1949-50 is now expected to total about 116 million tons, which is slightly larger than last year's supply and would be ample for the prospective number of livestock to be fed.

Market receipts of corn have been below average during the past few months and unusually small in relation to the large stocks of corn on farms. Farmers already have placed a record quantity of corn under the Government support program. Through May 305 million bushels of 1948 corn had been placed under loan and 86 million under Government purchase agreement. No new loans were made on 1948 corn after June 30. The Department of Agriculture recently announced programs permitting farmers to reseal farm-stored 1948 corn, oats, and barley. They also are permitted to place under loan 1948 grain designated for delivery to the Government under the purchase agreement program. Loans on resealed oats and barley would mature April 30, 1950, and on resealed corn July 31, 1950.

## WHEAT

United States wheat supplies for 1949-50 are estimated at about 1,635 million bushels based on the June crop report. This would be the largest on record, exceeding slightly the 1,600 million in 1942-43. Domestic disappearance may total 685 million bushels (about 480 for civilian food, 125 for feed and 80 for seed). This would leave approximately



950 million bushels available for export in 1949-50 and carry-over July 1, 1950. If exports from the United States total 450 million bushels, the carry-over July 1, 1950 would be about 500 million bushels. The size of exports will depend upon the way the crops finally turn out in both exporting and importing countries. In addition, foreign aid policies of this country will continue to be very important in determining United States exports. On June 13, the Senate ratified the International Wheat Agreement, which if approved by other Governments will assure the United States of an export market for 168 million bushels annually for four years.

Present indications are that the breadgrain output in Europe excluding the Soviet Union in 1949 will be about 5 percent below the 1948 level and more than 10 percent below the 1935-39 average. In the Soviet Union, soil moisture appears to have continued deficient in some important regions until relieved by general rains in May and early June. With normal weather during the remainder of the growing period, some increase in grain output may be expected.

The intended wheat acreage for all Canada was reported at 27.0 million acres, an increase of 12 percent compared with the actual seedings of 24.1 million acres in 1948. Timely rains have fallen over wide areas in the Prairie Provinces and have materially improved prospects. Despite the improvement, moisture reserves remain far below normal over important producing areas, and frequent rains during the growing season will be required to produce a satisfactory crop.

Liberalization of the loan program and provisions for the construction of additional storage space were announced on June 7. These include (1) "Distress" loans at 75 percent of the full support level will be made on wheat in temporary storage and on wheat piled on the ground in the open in certain areas. (2) The Government will try to find suitable emergency storage in areas where it is not feasible for farmers to leave wheat in the open or in other temporary storage. (3) Loans at 4 percent interest with five years in which to pay will be made available to farmers to build farm storage. (4) CCC may purchase and erect storage facilities for its own grain when other facilities are not available.

Wheat prices broke sharply on May 27, Kansas City prices going to 24 cents below the 1949-50 loan rate. Last year prices declined to about 18 cents below the loan. It was to be expected that prices would drop to a lower point relative to the loan this year than last because both the winter wheat crop and the carry-over are moderately larger. However, the liberalization of the provisions to help farmers store their wheat, is a price supporting factor. On June 29 the price of No. 2 Hard Winter at Kansas City was about 27 cents under the new loan.

#### FRUIT

Grower prices for fruit during July and August are expected to decline somewhat below the levels of last summer as increasing quantities of 1949-crop deciduous fruits are marketed.

Total production of the major deciduous fruits this year is expected to be about one-eighth larger than that in 1948 and one-tenth larger than



the 1938-47 average, but the new crops of apricots, sour cherries, and prunes, are expected to be somewhat smaller than the 1948 crops. Prices that growers will receive for peaches in July probably will be about the same as last year, because production in the 10 Southern States, the main source of supplies in July, is again small this year. But as the larger production of other States this year reaches the market in August, prices probably will decline to levels lower than a year earlier. Prices for the prospective larger crops of apples and pears also are expected to decline this summer to levels lower than a year earlier.

Prices that growers will receive for citrus fruits this summer, in contrast to prices for deciduous fruits, are expected to continue considerably higher than a year earlier, because of smaller supplies. Total supplies of 1948-49 crop oranges available for use after June 1 were about one-sixth smaller than comparable supplies June 1, 1948. Supplies of lemons were only a little more than half those of June 1, 1948.

Packers' stocks of 8 major items of canned non-citrus fruits on June 1, 1949 were 40 percent larger than comparable stocks a year earlier. During the 1948-49 season, such canned fruits have moved slowly to wholesale distributors, who have tended to maintain stocks somewhat below the levels of the 1947-48 season. These larger stocks of canned fruits held by packers this season constitute an unfavorable factor affecting prices that growers will receive for their crops.

#### POTATOES AND SWEETPOTATOES

Prices received by farmers for potatoes in July, August and September this year probably will average about one-fifth to one-fourth lower than the prices received in the same months of 1948 unless production is seriously curtailed by dry weather. Production of commercial early potatoes for late spring and for summer harvest in the States for which the crop is estimated, is 13 and 19 percent, respectively, smaller than a year earlier. However, rail movement of potatoes in late May and early June was considerably heavier than in the same weeks last year, mainly because of heavier shipments from California. Government purchases of 1949 crop potatoes for price-support through June 22 totaled 1,600,000 bushels, mostly U. S. No. 1 B and U. S. No. 2's, but included some U. S. No. 1's and U. S. commercials. Last year as of the same date purchases were 5,100,000 bushels.

The level of support on the 1949 crop is about one-third lower than the weighted average level of support on the 1948 crop. Under the support program for the 1948 crop, prices for U. S. No. 1 potatoes were supported at 90 percent of parity, and U. S. No. 2 grade 1-7/8 inch minimum and U. S. No. 1 size B grade were supported at 50 percent of the figure for the U. S. No. 1 grade.

If farmers carry out their March intentions to reduce potato acreage this year, the surplus which will be produced probably will be considerably smaller than in 1948 when about 29 percent of the crop was purchased by the government.

Sweetpotatoes will continue to be very scarce in northern markets, at least until last summer.



## COMMERCIAL TRUCK CROPS

For Fresh Market

Because demand for fresh vegetables is slightly weaker than last summer and total production is slightly larger, the average price farmers receive for fresh vegetables and melons in July, August and September is expected to average slightly lower than in the same months of 1948. However, there is likely to be large variation among the several commodities. Prospective supplies of celery and early summer tomatoes, are smaller than those of last year and slightly smaller than average for this time of year. Early summer supplies of cabbage, cucumbers and onions range from 10 to 16 percent larger than last year. Supplies of cabbage are 20 percent and cucumbers 9 percent larger than the 1938-47 averages, and those of onions are 8 percent smaller. Total prospective summer tonnage estimated to date is 4 percent larger than the tonnage produced in the same areas last summer, and 11 percent larger than average for the years 1938-47.

For Processing

Planting and development of truck crops for commercial processing is about on schedule. According to early reports of acreage and intentions, the total tonnage for processing vegetables is likely to be the same as or smaller than last year. Reductions now appear probable for sweet corn, peas and tomatoes. On the other hand, increases seem likely for lima beans, snap beans, beets, cucumbers, and spinach. Truck crops sold for processing this year are expected to bring producers slightly lower prices than last year, partly because the prices available on the fresh market this summer are expected to be slightly lower than last summer.

## COTTON

Spot cotton prices have advanced slightly and in mid-June were only 1/3 cent per pound below the peak price for the season of 33.37 cents reached in late April, but were about 4.25 cents per pound below mid-June prices last season. The scarcity of "free" cotton and the relatively high rate of total disappearance (principally due to larger exports) were important factors in sustaining the current prices of cotton.

Exports of cotton were 577,000 bales in March and 591,000 in April--the largest monthly volume since February 1940. Total exports this season through April were 3,550,000 bales compared with 1,482,000 a year earlier. May exports probably brought the total above 4 million bales.

ECA procurement authorizations for cotton from the beginning of the program in April 1948 through June 15, 1949 totaled 3,363,862 bales, including 510,501 bales for the China-Korea program. Authorizations this crop-season have been about 2,750,000 bales of which about 2,550,000 bales were for Europe and the remainder for China and Korea. Exports of cotton that are financed by ECA by Export-Import Bank and by other special credits are expected to be about three-fourths of the full season total.



Demand for cotton by domestic mills is low and is limited to filling immediate requirements. Mill stocks at the end of May at 1,277,000 bales were the lowest for this month since 1939, and compared with 1,448,000 bales at the end of April and 2,007,000 bales at the end of May last season. With domestic mill consumption of cotton at the lowest levels since before the war, and with the prospect for loan rates on Middling 15/16" cotton from the 1949 crop being more than a cent per pound below the current loan rate, it is probable that mill purchases will continue to be limited to current requirements for the next few months.

#### TOBACCO

A firm demand for 1949 flue-cured tobacco is expected when marketings begin in the Georgia-Florida area in late July. Prices received by growers may not average as high as the 47.5 cents received for type 14 (Georgia-Florida) last season. During the 1949 marketing season, flue-cured prices are expected to average somewhat above the loan level of 42.5 cents per pound for types 11-14 combined. The 1949 level of price support is 3 percent less than last season and reflects the decline in the index of prices paid by farmers since June 1948. Domestic use of flue-cured during July 1948-June 1949 is estimated at 710 million pounds compared with 695 million pounds in the previous year. United States exports of flue-cured during July 1948-June 1949 are estimated at around 400 million pounds (farm-sales weight), about 11 percent more than in 1947-48. The carry-over of flue-cured on July 1 will probably be a little lower than a year ago; but total supply for 1949-50, which includes this year's expected outturn, is likely to be near the 1948-49 level.

Cigarettes are the principal outlet for flue-cured. United States cigarette consumption during January-May 1949 totaled almost 143 billion compared with 141 billion in the same period of 1948.

Over 60 percent of the 1948 Maryland crop had been sold by late June. Auction prices averaged 53.6 cents per pound for the season through June 28, 23 percent above average prices during the comparable period last season. About 12 percent of the quantity auctioned has been placed under Government loan.

Cigar consumption during January-May 1949 was approximately 3.5 percent less than in January-May 1948. The manufacture of smoking tobacco during the first quarter of 1949 was about the same as in the first quarter last year, but the output of chewing tobacco was down 8 percent.

United States exports of unmanufactured tobacco during January-April totaled 131 million pounds (declared weight)--one-fourth larger than January-April 1948. Approximately 70 percent of this was flue-cured. United States exports of all types except Virginia fire-cured and perique were larger. Sharp increases in the exports of Burley, Maryland, dark air-cured, and cigar tobacco occurred in January-April 1949 compared with the same months a year ago.

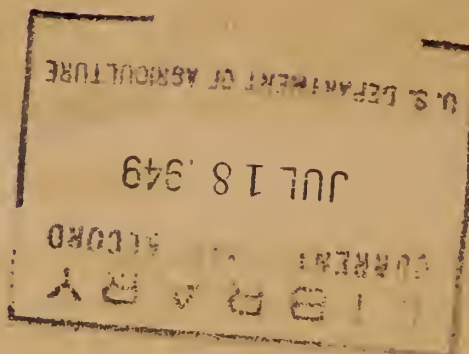


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SUGAR

The outlook is for a continuation of firm domestic sugar prices. Factors supporting the wholesale refined price are firm raw sugar prices, and the expected summer seasonal increase in demand. Prolongation of the strike of longshoremen in Hawaii, that has been in effect since May 1, may also be an additional factor.

Sugar prices for the May 16-June 15 period were as follows: raw, duty paid, New York, 5.83 cents; wholesale refined, New York, 7.95 cents; and raw, f. a. s. Havana, 4.05 cents. Prices for the comparable period in 1948 were: 5.21, 7.50, and 4.19 cents. The U. S. average retail price in May of 9.5 cents a pound compares with 9.3 cents in May, 1948. In late June the price of raw sugar, duty paid, New York, rose to 5.9 cents, the highest quotation since early January, 1948.

Additional sugar quotas were allotted to Puerto Rico, Cuba and to full-duty foreign countries in recent rulings by the Department of Agriculture. A deficit of 200,000 tons declared for the domestic sugar beet area was prorated: 60,635 tons to Puerto Rico, and 139,365 tons to Cuba; and a deficit of 300,000 tons declared for the Philippine Islands was prorated: 285,000 tons to Cuba, and 15,000 to full-duty foreign countries. The present adjusted area quotas are: domestic beet, 1,600,000 tons; domestic cane, 500,000 tons; Hawaii, 1,052,000 tons; Puerto Rico, 970,635 tons; Virgin Islands, 6,000 tons; Cuba, 2,515,915 tons; Philippine Islands, 557,000 tons; and other foreign countries, 48,450 tons.

World production of beet and cane sugar for the 1948-49 season is now estimated at 37,300 thousand tons, a record high. This is 8 percent more than the amount produced in the 1947 season, and 5 percent more than the prewar 1935-39 average. World cane sugar production is estimated at 26,219 thousand tons, an all-time high, 2 percent greater than 1947, and 14 percent more than the prewar average. World beet sugar production is estimated at 11,081 thousand tons, 21 percent more than in 1947, but 8 percent less than the prewar average.





